

Message Text

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44

ACTION COME-00

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 7221

INFO USMISSION GENEVA

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EO 11652 NA

TAGS ETRD GATT CA

SUBJ GOC REMISSION OF CUSTOMS DUTY ON FOREIGN

AUTOMOBILES INCORPORATING CANADIAN COMPONENTS

REFS A) STATE 165851 B) STATE 128197

1. EMBOFFS MET YESTERDAY (AUGUST 11) WITH ITC TO REGISTER U.S. CONCERN OVER THE NATURE OF AND PRECEDENT SET BY SUBJECT DUTY REMISSION SCHEME. POINTS CONTAINED PARA. 2 REFTEL (A) WERE MADE ORALLY AS REQUESTED.

2. GOC OFFICIALS MCEWAN (CHIEF, MOTOR VEHICLES DIVISION) AND KELLY (ASSISTANT DIRECTOR, USA DIVISION), NOTING INFORMAL NATURE OF U.S. REPRESENTATION ON THIS MATTER, STATED FLATLY THAT GOC DID NOT REPEAT NOT ACCEPT VIEW THAT REMISSION SCHEME WAS IN ANY WAY A DEROGATION OF GATT MFN OBLIGATIONS, COMMENTING THAT THE SCHEME'S BENEFITS, "IF ANY", WERE AVAILABLE TO ANY COUNTRY WHICH WISHED TO PARTICIPATE IN THE TRADE. KELLY ALSO VOLUNTEERED THAT IN NO REPEAT NO WAY COULD THE SCHEME BE

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CONSIDERED AN EXPORT SUBSIDY EITHER.

3. KELLY AGAIN CITED ROUGH ANALOGY OF CANADIAN SCHEME WITH U.S. TARIFF ITEM 807 AND "SUBSTITUTION FOR DRAW-BACK" PROCEDURES. EMBOFF NOTED BASIC DIFFERENCES AS SET FORTH IN PARAS. 4 AND 5 OF REFTEL (B) AND PARA. 3 OF REFTEL (A). KELLY BASICALLY DISMISSED THESE DIFFERENCES OUT-OF-HAND AND SUMMED UP GOC CASE AS ONE OF "ADMINISTRATIVE SIMPLIFICATION", I.E., IT IS FREQUENTLY IMPOSSIBLE AND BOTHERSOME AT THE LEAST TO IDENTIFY PRECISELY THE ORIGIN OF GOODS WHICH ARE CO-MINGLED IN A FINISHED PRODUCT SUCH AS AN AUTOMOBILE.

4. BURGESS (CHIEF, AUTOMOTIVE PARTS DIVISION) SUMMED UP DISCUSSION BY COMMENTING THAT THE REMISSION SCHEME WAS UNLIKELY TO PROVE EVEN marginally HELPFUL IN PROMOTING CANADIAN PARTS EXPORTS, WHICH GENERALLY REMAIN OVER-PRICED AND NON-COMPETITIVE IN WORLD MARKETS, AND THAT EVEN THE PARTS INDUSTRY ITSELF WAS NOTABLY UNENTHUSIASTIC ABOUT THE SCHEME.

5. EMBASSY COMMENT: WE HAVE MADE OUR POINT ON GATT QUESTIONABILITY, WHICH THE CANADIANS REJECT. IN VIEW OF LARGER ISSUES FACING OUR AUTOMOTIVE RELATIONS, I.E., THE ANTI-DUMPING INVESTIGATION AND THE ITC INVESTIGATION OF THE 1965 AUTO AGREEMENT, WE RECOMMEND THAT THE PARTS REMISSION SCHEME NOW BE RELEGATED TO A BACK BURNER AT LEAST UNTIL SUCH TIME AS WE MIGHT PERCEIVE SOME EFFECTS ON U.S. INTERESTS.
PORTER

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